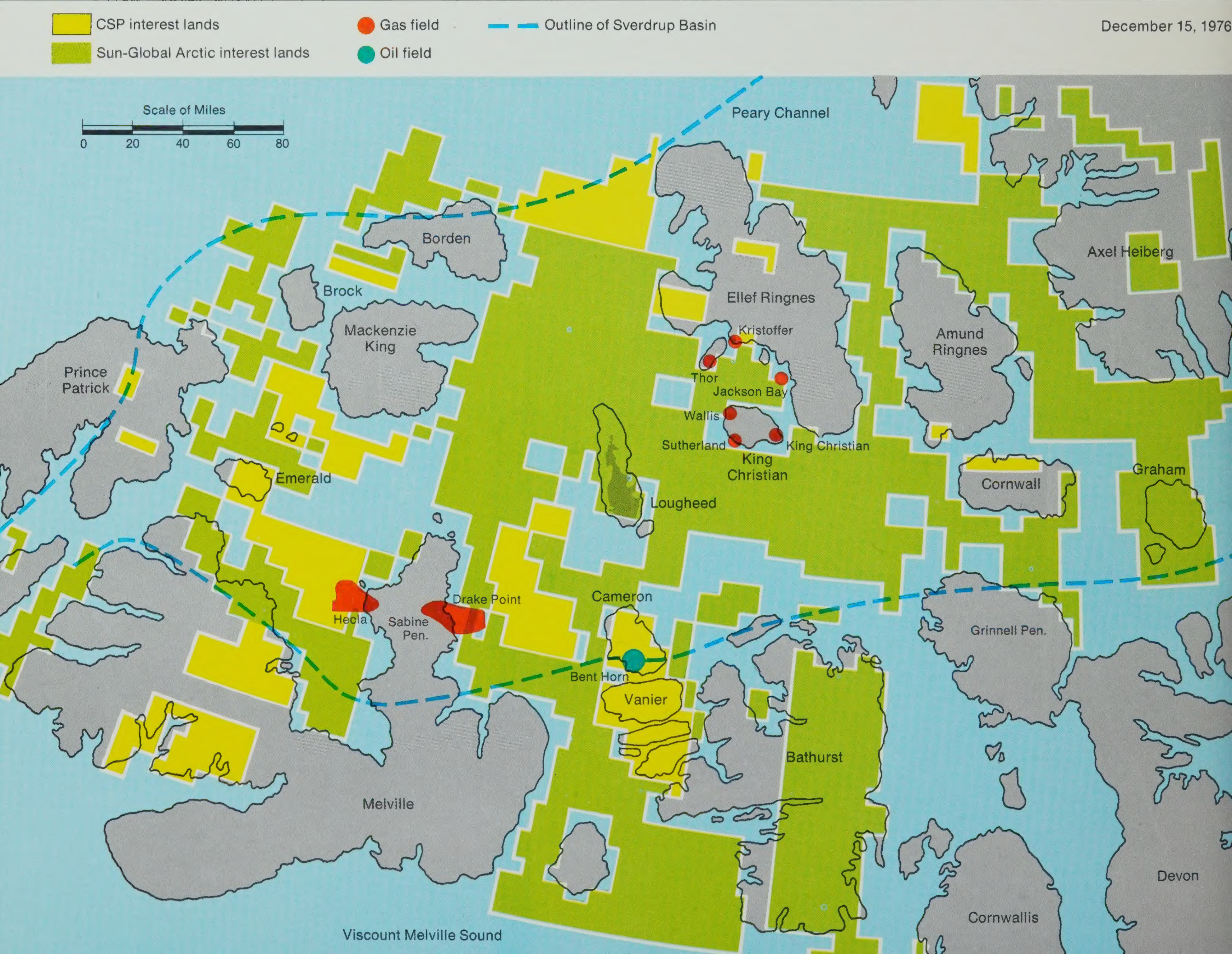
Canada Southern Petroleum Ltd.
Annual Report 1976

Cover: Arctic Islands' first possible commercial oil discovery, Panarctic Bent Horn F-72A on Cameron Island, drilled on Canada Southern-interest acreage in October 1975, flowed oil on test for short periods at rates up to 30,000 barrels per day. Subsequently, a second prolific producer, the A-02 well, was completed on Company-interest acreage three-quarters of a mile southwest of the F-72A.

High Arctic: Canada Southern's large acreage spread in the Canadian High Arctic (map, below) includes approximately seven million gross acres assigned under contract to Panarctic Oils Ltd. Heightened exploration in the High Arctic seems assured by the $80 million-plus joint venture agreement concluded late in 1976 by a consortium of Imperial Oil Ltd., Gulf Oil Canada Ltd., Panarctic and PetroCanada, Canada's national oil company. The agreement provides for exploration by Panarctic, as operator, on some 33 million acres held by Sun Oil Ltd. and Global Arctic Islands Ltd. The joint venture was preceded by a Home Oil Company-Panarctic agreement covering an additional $30.5 million focused on High Arctic exploration.



Chairman's Letter To the Shareholders:

Impressive finds of both gas and oil in the High Arctic this past year have added to the buildup of threshold reserves required for delivery to market of Arctic Islands hydrocarbons. Delineation and development drilling in the Canada Southern-interest Hecla and Bent Horn fields resulted in Hecla's classification as the second largest gas field in Canada and Bent Horn's ranking as a possible major oil find.

Of particular interest to Canada Southern is the fact that most of the past year's drilling success took place on properties included within the approximately seven million gross acres assigned under contract by Canada Southern to the Panarctic Oils Ltd. consortium composed of federally-financed PetroCanada, Canada's national oil company, and some 30 individuals and investor-owned oil and mining companies.

Given prompt regulatory approval, gas pipeline construction reportedly could begin in the early 1980's, with Arctic Islands fuel flowing to market approximately two years thereafter. Meantime, plans have been readied, contingent upon threshold reserves of 200 million to 300 million barrels, to pipeline Cameron Island's Bent Horn crude to southeast Bathurst Island and thence by ice-breaking tanker to eastern Canada.

Major New Search Commitments

Progress towards the realization of threshold goals for both gas and oil received recent strong impetus with the announcement of a joint venture agreement under which four major oil companies, Imperial Oil Ltd., Gulf Canada Ltd., Panarctic and PetroCanada, have undertaken to spend upwards of $80 million on Arctic Islands exploration. The funds reportedly will be expended at a rate of $20 million per year for four to six years beginning in 1977 on exploration covering some 33 million gross acres held by Sun Oil Ltd. and Global Arctic Islands Ltd. The multiple-well drilling program envisioned by the six-member consortium, of which Panarctic is the operator, has as its principal purpose the buildup of natural gas reserves to levels sufficient to warrant construction of the Polar Gas pipeline connecting the islands with southern markets.

Preceding the disclosure of this joint venture agreement, Panarctic and Home Oil Company jointly announced the latter's acquisition of a participating interest in Panarctic in return for Home Oil agreeing to expend some $30 million for exploration on Panarctic lands over a three-year period starting in 1977.

Panarctic recenty announced that it has budgeted $70 million for its 1977 exploration program, the goal of which will be "directed to developing threshold gas reserves to permit marketing and to the development of commercial crude oil reserves following up the company's Bent Horn oil discovery on Cameron Island."

Hecla Gas Reserves Approach 6 Trillion Cubic Feet

Exploration conducted on Company-interest lands by Panarctic in 1975-76 succeeded in raising gas reserves in the Melville Island Hecla gas field to a level approaching six trillion cubic feet, of which an estimated one trillion cubic feet are believed to represent Canada Southern's interest.

Combining Hecla's reserves with indicated reserves of at least six trillion cubic feet in the Melville Island Drake Point gas field, and still more elsewhere in the Arctic Islands, Panarctic estimates presently discovered, marketable gas reserves in the region total 15 trillion cubic feet, with new reserves being added at a rate of two trillion to three trillion cubic feet per year. Threshold reserves required for pipeline construction range from 20 trillion to 30 trillion cubic feet, depending upon choice of route, diameter and throughput of the transmission system.

Prolific Producers Completed at Bent Horn

Panarctic's continuing search for crude in the Company-interest Bent Horn oil field on Cameron Island resulted in two prolific producers during the past year, the F-72A completed in December 1975 and the A-02 which was flow-tested over a 36-day period ended in September 1976.

The Bent Horn discovery well, N-72, a 500-barrel-per-day producer, was completed in April 1974. The F-72A extension well flowed oil on production test at an average of 5,300 barrels per day, and at rates for short periods of 30,000 barrels per day. The A-02 well, located three-quarters of a mile southwest of the F-72A drillsite, produced 127,067 barrels of light gravity oil over the 36-day test period following

which it was shut in for pressure determinations. The results of these pressure tests appear to indicate a possible major oil accumulation.

Active Drilling Season Scheduled

It is believed the search for additional reserves will focus on the ocean depths to the west and east of Melville Island's Sabine Peninsula, where development drilling to date already has confirmed significant seaward extensions, respectively, of the Hecla and Drake Point gas fields.

As a result of drilling conducted from ice islands on Canada Southern acreage over the past two years, the Hecla field is now indicated to be 13 miles wide on a north-south axis and to stretch 25 miles at its greatest extremes in a roughly northwest-southeast direction. Moreover, the net pay sand present in the most distant northwesterly extension well drilled in the field to date, the M-25, is almost double the thickness of that discovered in the P-62 well. This determination, combined with the indicated areal extent of the field, suggests that the major portion of Hecla's presently confirmed reserves lie beneath Canada Southern's 30 percent carried-interest land.

The Hecla field's southern and western limits remain essentially undelineated. Accordingly, the Hecla C-58 well has recently been licensed for drilling on Canada Southern acreage to test a nine-mile southwesterly extension of the field.

At the opposite side of the Sabine Peninsula, the Drake Point gas field boasts estimated reserves of six trillion cubic feet on the strength of seven wells drilled to date, making it the largest gas field in Canada. An initial seaward stepout, I-55, extended the Drake Point field eight miles eastward into the ocean. Recently, the P-40 well has been licensed for an additional 12-mile extension attempt. This projected test will be a direct offset to Canada Southern's 798,399-acre, 30 percent carried-interest offshore block lying midway between the Sabine Peninsula and neighboring Cameron Island.

Largely as a result of the success of the Bent Horn A-02 well, Panarctic has scheduled a six-well drilling program on Cameron Island consisting of three development wells at Bent Horn and three exploration wells on separate geological prospects. The drilling of the first exploratory test, the Charles Point G-07 well, currently is under way on Canada Southern acreage 17 miles northeast of the Bent Horn field. Drilling likewise has commenced at the W. Bent Horn I-01 development well, first of the three planned offset wells, which is located three-quarters of a mile south of the A-02 well. Cameron Island, it should be noted, is held almost in its entirety under the Company's five percent carried-interest ownership, as are large areas of contiguous offshore acreage.

During the past year, the Board of Directors reluctantly accepted the resignations, for personal reasons, of Alan S. Anderson and William Shields, Jr., who had long served with distinction as directors of the Company. Their significant contributions to the progress of Canada Southern are gratefully acknowledged. We are pleased to report in this context the recent election of Thomas W. Donlon, who brings to the Board the experience borne of a career spent largely in service abroad with a number of major companies active in overseas petroleum exploration and production.

We wish here to acknowledge with appreciation the continued interest and support of the Company's shareholders, and the dedication and effort reflected in services of the Canada Southern staff.

On behalf of the Board of Directors,

John W. Buckley

Chairman of the Board

Calgary, Alberta
December 31, 1976

Review of Operations

PETROLEUM

Arctic Islands

Substantial progress was made over the past year in proving up threshold reserves of both gas and oil in the Canadian High Arctic, with the result that marketability of Arctic Islands natural gas is believed likely by the early 1980's and, in the case of oil, perhaps even earlier.

These prospects received significant impetus with announcements in recent weeks of two developments involving the dedication of more than $100 million in new capital available for Arctic Islands exploration over the next several years.

The first of these moves was the agreement reached between Panarctic Oils Ltd. and Home Oil Company Ltd., whereby the latter company became the fourth largest shareholder in Panarctic in return for $30.5 million to be expended for exploration on Panarctic's Arctic Islands lands over the next three years.

Subsequently, an $80 million-plus agreement was reached between Sun Oil Ltd. and Global Arctic Islands Ltd., on the one side, and a consortium consisting of PetroCanada, Canada's national oil company, Imperial Oil Ltd., Gulf Oil Canada Ltd. and Panarctic. The agreement designates Panarctic as operator and calls for the expenditure of approximately $20 million per year over four years to six years for offshore exploration on some 33 million gross acres held by Sun Oil and Global Arctic (see map, inside front cover).

The net result of these developments, when combined with exploratory funds generated internally by Panarctic, is likely to boost the latter's exploratory budget to $70 million or more for each of the next several years. This strong capital infusion is seen as providing the basis for a major escalation in exploration dedicated to proving up sufficient additional natural gas reserves to warrant construction of the proposed Polar Gas pipeline from a northern terminus on Melville Island's Sabine Peninsula to southern markets.

Panarctic, which initiated its High Arctic exploration with a Drake Point gas discovery in 1969, is a consortium comprised of federally-financed Petro-Canada and some 30 individuals and investor-owned oil and mining companies. Arctic Islands properties assigned by Canada Southern to Panarctic, as illustrated on the inside front cover of this report, accompanying separate map insert and detailed on page 4, presently consist of approximately seven million gross acres, of which the Company's net interest amounts to about 1.3 million acres, or 19 percent of the gross acreage.

Canada Southern's properties assigned to Panarctic are divided into 23 blocks, each a separate economic unit, the Company's carried-interest ownership ranging from five percent to 15 percent in 16 onshore blocks and to 30 percent in seven offshore blocks. Each block is fully financed, Panarctic standing to recoup its costs from production on a block-by-block basis, whereupon Canada Southern is entitled, likewise block-by-block, to receive its percentage share of the net production proceeds.

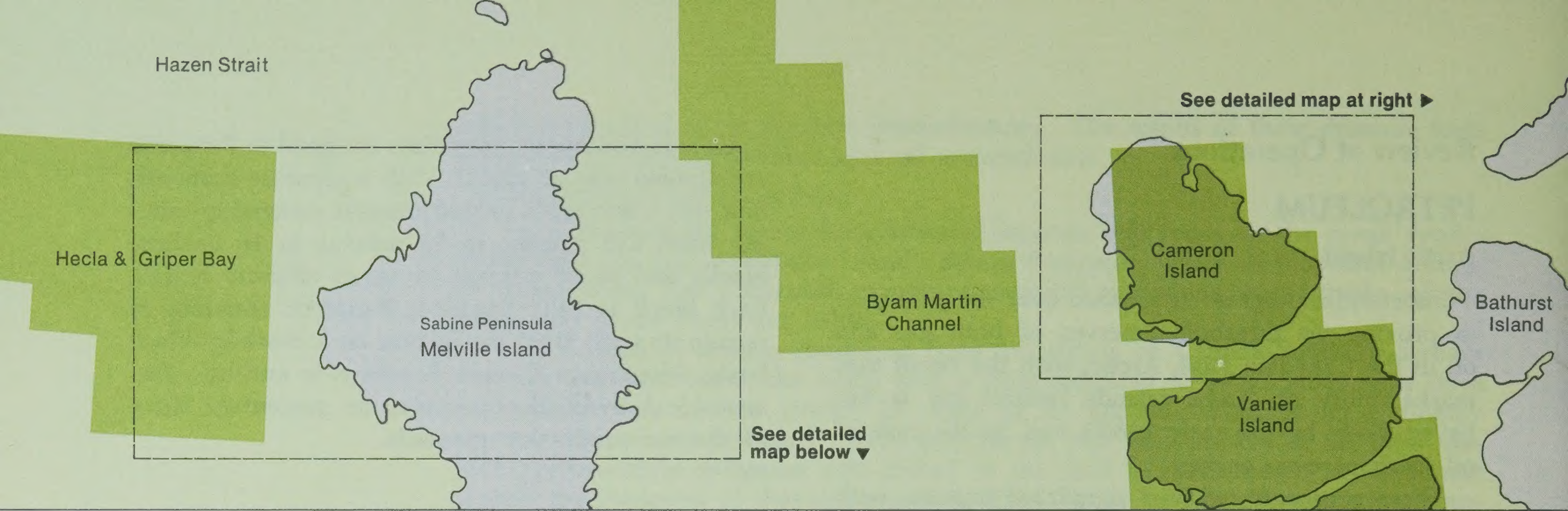
Major Hecla Field Extension

In April 1976 Panarctic completed a major northwestward extension of the Hecla gas field offshore the Sabine Peninsula of Melville Island on properties in which Canada Southern holds a 30 percent carried interest. The Hecla M-25 well, drilled from an ice island 15 miles offshore in 1,000 feet of water, succeeded in extending the limits of the field to an area roughly 25 miles long, in an approximate east-west direction, by 13 miles north-south. The field's currently-defined areal extent encompasses some 208,000 acres (see map, page 4).

Drillstem tests of the M-25 well resulted in gas flows through a restricted choke at rates up to 6.8 million cubic feet per day from the Borden Island sand, the main producing reservoir in the Hecla field. The tests were later reported to indicate high productivity similar to that for other wells drilled in the Borden Island sand, where absolute open flow capacities range from 96 to 240 million cubic feet per day. Even more significant is the fact that the well encountered a 103-foot net pay zone, roughly double that of other Hecla wells.

The M-25 extension represents a seven-mile stepout from the Hecla P-62 well, also drilled on Canada Southern's 30 percent carried-interest acreage, which earlier this year encountered 47 feet of net gas pay in the Borden Island sand and an additional 105 feet of net gas pay in the deeper Schei Point and Bjorne formations. A small quantity of low gravity, viscous oil was recovered at the base of the gas zone but is not considered significant. The Hecla N-52 well, which when drilled in 1974 earned the distinction of being the first offshore exploratory test in the Arctic Islands, had previously confirmed the Hecla field's westerly eight-mile seaward extension onto Canada Southern-interest acreage.

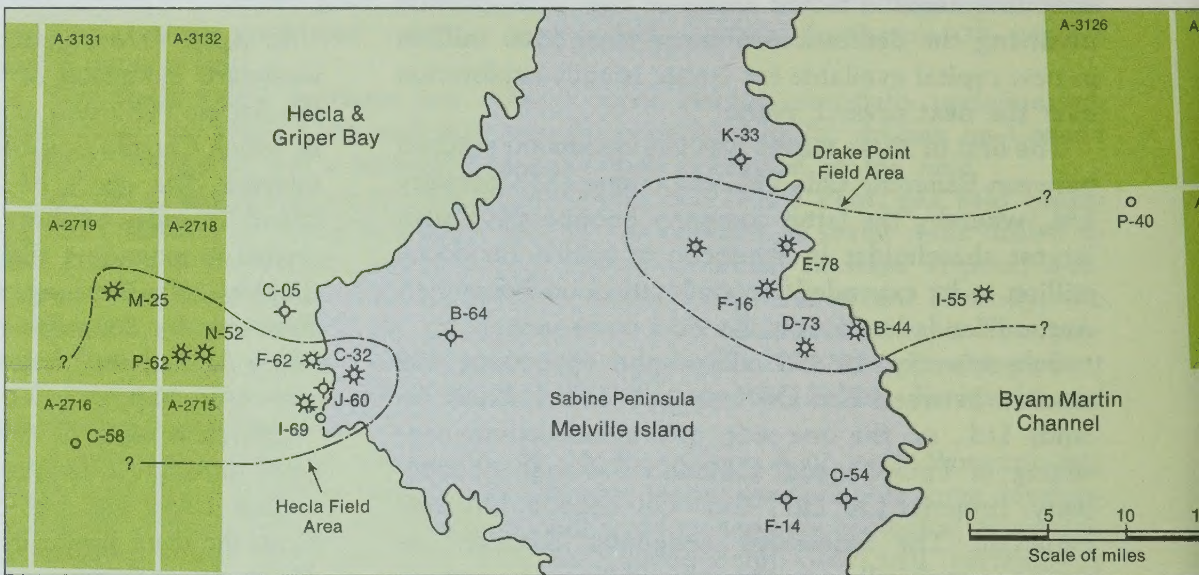
The Hecla gas field is now believed to be generally delineated with the exception of its southern extreme and a possible southwest trend, which will be tested through the drilling on Canada Southern's offshore Permit A-2716 of the recently-licensed Hecla C-58 well. Location of this scheduled 4,000-foot test is approximately nine miles southwest of the Hecla P-



Focal areas of major interest in the Arctic Islands: Hecla and Drake Point gas fields offshore and onshore Sabine Peninsula of Melville Island, and Bent Horn oil field on Cameron Island. Extent of Hecla and Drake Point fields remains tentative pending scheduled 1977 drilling. Likewise, delineation of Bent Horn field awaits development drilling, now under way.

CSP interest lands
Possible field outline
Gas well
Oil well
Abandoned
Location
Drilling

December 15, 1976



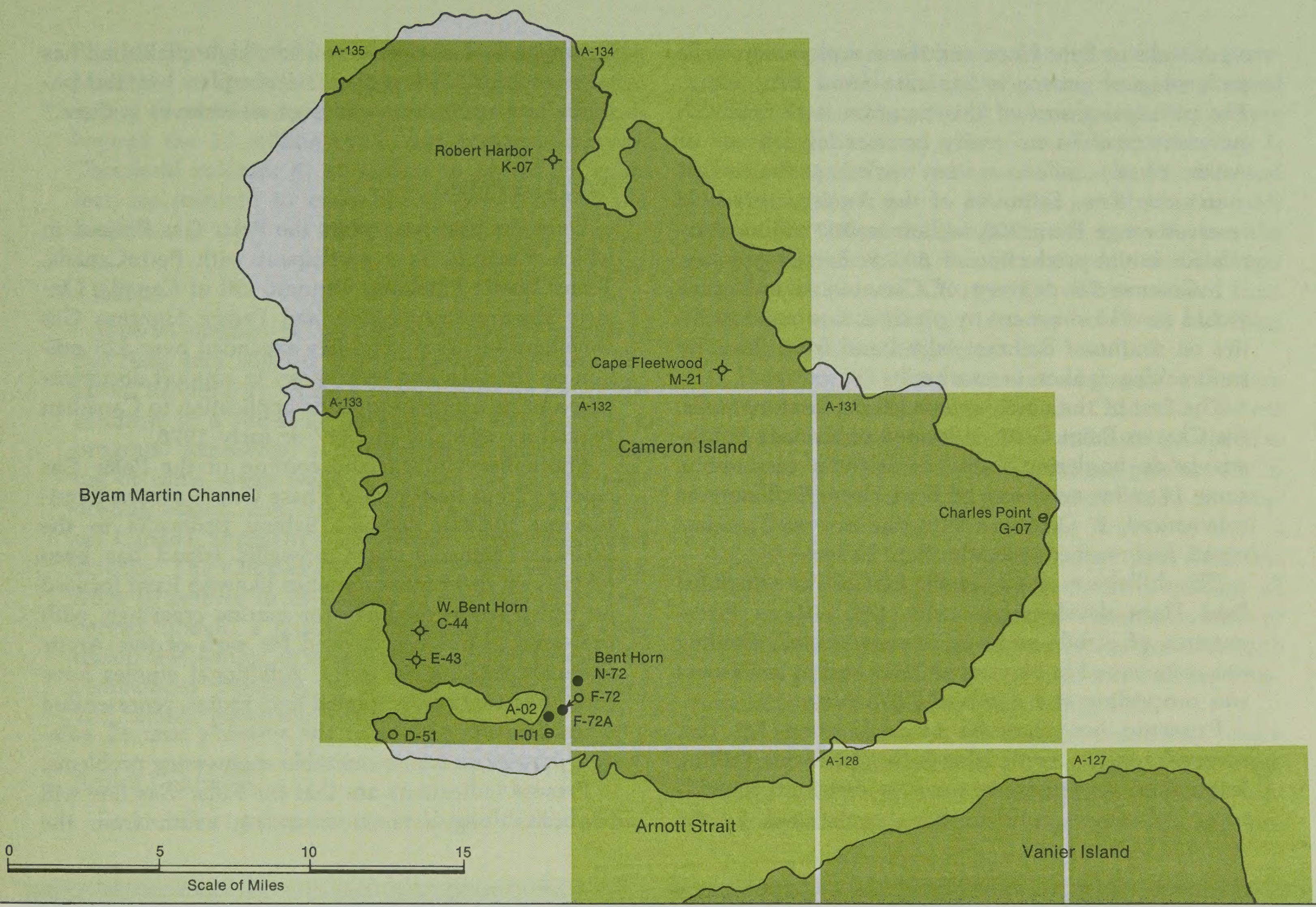
COMPANY-INTEREST PROPERTIES INCLUDED IN PANARCTIC AGREEMENTS
as of December 31, 1976

Islands	Gross Acres	Interest Retained by Company % Interest	Net Acres
TriCeeTee Agreement			
Prince Patrick, Melville, Emerald, Vanier, Cameron, Ellef Ringnes, Cornwall	2,909,556	5.000 (carried)(1)	145,478
CSW*-Clark-Skelly			
Eight Bears	57,210	6.000 (carried)	3,433
CSW-B.P.			
Melville	62,650	13.125 (carried)	8,223
CSW			
Ellesmere	261,687	15.000 (carried)	39,254
CSW			
Offshore, Sverdrup Basin	3,650,607	30.000 (carried)(2)	1,095,182
	6,941,710		1,291,570

(1) Does not include the Company's additional interest to be acquired under the sub-farmout agreement covering permits on Vanier Island.

(2) Area divided into seven blocks, each converted to 30.0% carried interest, which may be reconverted to 30.0% working interest at CSW's option.

* CSW—Canada Southern Petroleum Ltd.



62 gas well and some 16 miles west of the Sabine Peninsula.

As previously reported, Panarctic early in 1975, as part of its program to develop threshold gas reserves, successfully employed offshore drilling from the ocean ice to drill the East Drake I-55, an eight-mile stepout which extended the Drake Point gas field eight miles eastward into the ocean. Seismic surveys indicate that this field, with reserves currently estimated at six trillion cubic feet, extends farther eastward. Accordingly, the P-40 well has been recently licensed for a more distant easterly extension attempt some 20 miles offshore. This projected test will directly offset a large Canada Southern offshore acreage block, which lies midway between the Sabine Peninsula and Cameron Island.

Bent Horn Reserves Grow

Development drilling in the Bent Horn oil field on Cameron Island this past year resulted in two prolific producers offsetting the Bent Horn N-72 discovery well completed in 1974. The F-72A stepout completed in late 1975 flowed high-grade crude oil for short periods at rates up to 30,000 barrels per day and was production tested at rates averaging 5,300 barrels per day. Another stepout, the A-02 well, was drilled at a location one and one-quarter miles southwest of the N-72 discovery and three-quarters of a mile distant from the F-72A completion, also a southwest offset.

In production tests from perforations between 9,034 feet and 9,369 feet, the A-02 well during a two-day clean-up period produced oil at the rate of 5,400 barrels per day on a three-eighths inch choke. Panarctic reported that the well gives indication of being an excellent producer, with an oil column estimated to be approximately 1,300 feet thick. Over a 36-day test period the well produced 127,067 barrels of light gravity oil. It was then shut in for pressure tests from which it was later concluded the Bent Horn field ranks as a possible major oil accumulation.

The West Bent Horn E-43 well, a six-mile west-northwest stepout to the F-72A Devonian reef oil strike of late 1975, was abandoned early in 1976 after noncommercial quantities of high gravity oil were recovered from a marginally effective reservoir.

Largely as a result of the A-02 success, Panarctic has scheduled a six-well drilling program on Cameron Island this winter, consisting of three develop-

ment wells at Bent Horn and three exploratory wells on geological prospects separate from Bent Horn. The principal thrust of this program is to establish sufficient reserves to justify commercial delivery of Arctic Islands crude to eastern markets at the earliest practicable date. Estimates of the required threshold reserves range from 200 million to 300 million barrels for initial production of 50,000 barrels per day.

Commercial delivery of Cameron Island crude would involve shipment by pipeline to storage facilities on southeast Bathurst Island and from there by ice-breaking tanker to market.

The first of the newly-scheduled exploratory wells, the Charles Point G-07, is located on Canada Southern lands bordering Cameron Island's east shore, some 17 miles northeast of Bent Horn. Drilling was commenced in October 1976, and the well at last report had reached a depth of 9,170 feet.

The drillsite mapped for the first of the scheduled Bent Horn development wells, the I-01, is three-quarters of a mile south of the A-02 well. Drilling was commenced in November 1976, and at last report was proceeding at a depth of 6,373 feet.

Panarctic has observed in exploration for reef reservoirs in the Arctic Islands that extensive drilling is required to determine porosity distribution, adding: "Wherever porosity has been found in the Devonian reef or overlying beds, high quality oil has been present. The geology is complex but the potential reward in terms of large oil reserves is there."

Polar Gas Project

Over the past four years the Polar Gas Project, in which Panarctic is a participant with PetroCanada, TransCanada Pipelines, Tenneco Oil of Canada, Ontario Energy Corporation and Pacific Lighting Gas Development Company, has expended over $28 million on research and technology to support documentation of its expected pipeline application to Canadian regulatory agencies in 1977 or early 1978.

Preliminary inter-island routing of the Polar Gas pipeline from its expected Phase One northern terminus on Melville Island's Sabine Peninsula to the Boothia Peninsula via Cornwallis Island has been tentatively determined. Studies likewise have focused on construction methods for marine crossings, with preferred techniques devised for each of five Arctic channels totaling 90 miles. Additional studies have confirmed that contemplated land routes, representing more than 90 percent of the system's over-all mileage, present no insurmountable engineering problems.

Present indications are that the Polar Gas line will be built along a route extending south from the

Canada Southern Petroleum Ltd.

STATUS OF CARRIED INTEREST AGREEMENTS AS AT JUNE 30, 1976

	Cumulative to June 30, 1974	
	Gross Expenditures	**Production Proceeds**
Pacific Agreement		
Ex. Permits 100-104	$17,676,816	$11,814,648
Phillips Agreement		
Ex. P. 149 (Block C)	5,481,730	273,789
Ex. P. 178 (Block F)	2,263,901	3,860,691
Ex. P. 224 (Block G)	5,177,576	10,990,785
Dome Pan-American Agreement		
Ex. Ps. 1007, 1132, 1133	294,191	
Ex. Ps. 1136, 2713, 1153	506,426	
Ex. Ps. 1149, 1156	1,115,320	

*Block F net proceeds from production became payable to the Company in July 1970, and by June 30, 1976, the Company's share amounted to $559,654, including $53,583 in fiscal 1975 and $68,222 in fiscal 1976.

Boothia Peninsula alongside Hudson Bay, to either Manitoba or Quebec. Construction hinges on the discovery of additional gas reserves in the Arctic Islands beyond the 15 trillion cubic feet presently proved. Threshold volumes of 20 trillion to 30 trillion cubic feet are required to make the project economically feasible.

Alberta

Due to mechanical problems, a pipeline outlet to the Haig area shallow gas production has been deferred temporarily, causing further delay in the establishment of a full-scale development and marketing program. Meantime, a delineation program consisting of some seven wells is planned for the 1976-77 drilling season, and one of these is scheduled to fall on Canada Southern's 25 percent working-interest acreage. The Company's interest in this area ranges from 10 percent to 25 percent in a 67,040 gross acre spread. Should a pipeline extension reach the Haig region this winter, it is expected that work would be commenced promptly to initiate field development and related gathering systems.

British Columbia

In an effort to encourage increased levels of exploration and development activity within the province, the British Columbia government has decreed an increase in the price of natural gas and a decrease in the royalty on oil production. Effective January 1, 1977, the price of "old" gas will rise to 65 cents and that of "new" gas to 85 cents per thousand cubic feet. The indemnity program will end effective the same date; however, the 15 cent credit on "old" gas will be maintained. Oil royalties will be reduced from 46.9 percent to 40.4 percent for "old" oil and from 28.1 percent to 21.9 percent for "new" oil.

These modifications are expected greatly to increase activity in northeastern British Columbia, where Canada Southern continues to maintain prospective holdings in addition to its oil and gas production. In anticipation of favorable government action one proposal, in fact, already had been drawn to drill a 10,000-foot test well in the Boundary Lake field this winter, where the Company owns 17½ percent of the deep rights. This venture, commencement of which seems assured by reason of the government's revised policies, will be a Devonian test and the deepest well to be drilled to date in this field.

In the Town area of British Columbia, where Canada Southern retains a 10 percent gross overriding interest in a 5,229-acre lease, one well was re-completed as a Halfway sand gas well and has

Year Ended June 30							Company Interest	
1975		1976		Cumulative to June 30, 1976				
Gross Expenditures	Production Proceeds	Gross Expenditures	Production Proceeds	Gross Expenditures	Production Proceeds	Net Expenditures	%	Cost to Convert to a Working Interest
$129,024	$1,565,568	$150,608	$1,231,645	$17,956,448	$14,611,861	$ 3,344,587	21.25	$ 710,725
41,234	(903)	41,864	(1,144)	5,564,828	271,742	5,293,086	50.0	2,646,543
71,528	313,307	105,324	361,110	2,440,753	4,535,108	(2,094,355)	27.75	*
93,220	942,900	513,426	1,019,321	5,784,222	12,953,006	(7,168,784)	27.75	**
48,077		31,720		373,988		373,988	45.0	168,295
26,291		13,965		546,682		546,682	45.0	246,007
6,726		5,934		1,127,980		1,127,980	45.0	507,591

**Block G net proceeds from production became payable to the Company in December 1968, and by June 30, 1976, the Company's share amounted to $1,911,491, including $218,160 in fiscal 1975 and $114,744 in fiscal 1976.

been producing since July 1975. The successful completion of this well encouraged the operator to drill two additional wells on Canada Southern lands, and these are being completed presently as dual gas producers from the Baldonnel carbonate and Halfway sand. It is expected that these wells will be on production by the 1976 year end.

Yukon-Northwest Territories

A project of special importance to Canada Southern, because of the prospectiveness of the properties involved, is presented by discussions presently under way focused on the renegotiation of agreements covering the Company's lands in the North Beaver River area, a long-dormant sector of Canada. These discussions hold promise of renewed operations this winter covering the North Beaver River properties, which straddle the common border of the Yukon-Northwest Territories, directly north of the British Columbia boundary. The Westcoast Transmission gas line crosses Company-interest lands at North Beaver River, and hence production from completed wells is assured a ready access to market.

MINERALS

The Company during the past year reduced from 20 percent to 15.5 percent its direct interest in an iron ore prospect on Melville Peninsula in the Franklin District of the Northwest Territories, while retaining its 3.81 percent interest in the prospect through its shareholding in Borealis Exploration Limited.

Borealis currently holds 233 mining claims covering approximately 11,650 acres on the Melville Peninsula and 35 claims, equivalent to about 1,750 acres, on Baffin Island in the Northwest Territories. A field survey completed on the Melville properties in August 1975 served to qualify those claims for conversion to lease. Other than the field survey, no work was undertaken on the properties over the past year, and none is contemplated in the year ahead.

OTHER INTERESTS

As previously reported, Canada Southern owns a 12.75 percent stock interest in Foraco N.V., a Netherlands Antilles corporation, which holds rights to manufacture and sell in Canada and the United States certain products including the Foradrill V.P.R. drilling unit. The latter unit operates through rapid vibration, rotation and percussion, affording the operator unique flexibility in drilling under varied mining conditions.

The Company also owns a 7.5 percent stock interest in Foraco N.H., a New Hebrides corporation, which holds Australian rights to the drilling unit. On June 30, 1976, Canada Southern wrote down its investment in these projects to nominal value due to uncertainty as to ultimate realization.

Canada Southern Petroleum Ltd.
(A Canadian corporation)

CONSOLIDATED BALANCE SHEET

(Expressed in Canadian dollars)
June 30, 1976 and 1975

	1976	1975
ASSETS		
Current assets:		
Cash	$ 51,135	$ 59,303
Bank deposit receipts	194,975	505,000
Accounts receivable and accrued interest	86,838	75,879
Refundable deposits and prepaid expenses	2,881	3,635
Total current assets	335,829	643,817
Investments and advances (Note 2):		
Borealis Exploration Limited, at cost:		
8% unsecured debentures, maturing March 31, 1978	225,000	225,000
Investment in common stock	84,000	84,000
Foraco projects	—	140,878
Other	—	5,575
Oil and gas properties, at cost less accumulated depletion of $865,203 and $767,507 at June 30, 1976 and 1975, respectively (Notes 1 and 3)	7,399,148	7,582,493
Mineral properties, at cost (Note 1)	423,616	463,530
Land, building and equipment, at cost less accumulated depreciation of $32,211 and $296,863, respectively	11,263	57,849
	$ 8,478,856	$ 9,203,142
LIABILITIES AND CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities:		
The Catawba Corporation (Note 4)	$ 30,262	$ 51,521
Other	102,416	118,691
Notes payable	8,312	8,312
Total current liabilities	140,990	178,524
Notes payable, less current portion included above	16,625	24,937
Commitments and contingent liabilities (Note 3)		
Capital (see accompanying statements and Note 5):		
Capital stock, par value $1 per share: Authorized 15,000,000 shares Outstanding 8,764,965 shares	8,764,965	8,764,965
Capital in excess of par value	14,365,740	14,469,356
	23,130,705	23,234,321
Accumulated deficit	(14,809,464)	(14,234,640)
	8,321,241	8,999,681
	$ 8,478,856	$ 9,203,142

On behalf of the Board:
s/s John W. Buckley, *Director*
s/s Benjamin W. Heath, *Director*

See accompanying notes.

Canada Southern Petroleum Ltd.
(A Canadian corporation)

CONSOLIDATED STATEMENT OF LOSS (Note 1)
(Expressed in Canadian dollars)

	Year ended June 30,				
	1972	1973	1974	1975	1976
Income:					
Proceeds under carried interest agreement (Note 3)	$ 357,303	$ 388,252	$ 386,473	$ 271,743	$ 241,430
Interest	246,181	203,533	158,861	73,666	28,430
Oil and gas sales	18,453	36,687	78,536	85,121	75,785
Rent	36,623	35,400	35,400	37,350	18,012
Other	13,020	12,097	200	(1,363)	9,745
Gains and losses on sales of equipment and properties	—	—	—	—	335,583
	671,580	675,969	659,470	466,517	708,985
Costs and expenses:					
General and administrative:					
Financial, technical and other services under contract (Note 4)	206,405	222,353	264,954	227,004	362,320
Salaries and employee benefits (Note 6)	70,198	70,007	73,578	76,871	89,876
Shareholders' reports and capital stock expenses	120,534	105,000	112,855	68,727	93,968
Legal services	55,429	52,225	63,943	56,407	81,313
Building maintenance and rent	47,112	59,439	56,338	63,230	39,701
Auditing services	18,175	13,616	14,183	18,853	37,866
Travel and entertainment	11,829	10,208	10,026	5,703	8,468
Communications	7,270	6,916	7,315	2,656	3,810
Interest and foreign exchange	4,142	3,119	869	5,231	3,401
Public relations	17,171	11,302	9,345	7,606	13,006
Miscellaneous	29,315	46,974	46,615	63,169	52,917
Abandonments (Note 3)	543,946	685,771	467,996	30,156	223,891
Depletion, depreciation and amortization	182,558	173,699	141,187	141,545	107,105
Lease operating costs	7,467	15,013	24,934	18,892	22,220
Write-offs:					
Foraco projects (Note 2)	—	—	—	—	142,769
Canada Southern Petroleum (N.Z.) Limited	—	—	76,867	188	576
PXP Steam Power Units Ltd.	—	—	53,731	189	50
Canpet (Ireland)	—	—	—	—	552
	1,321,551	1,475,642	1,424,736	786,427	1,283,809
Net loss	$ (649,971)	$ (799,673)	$ (765,266)	$ (319,910)	$ (574,824)
Average number of shares outstanding	8,588,785	8,678,261	8,764,812	8,764,965	8,764,965
Net loss per share based on average number of shares outstanding during the period	$(.08)	$(.09)	$(.09)	$(.04)	$(.07)

See accompanying notes.

Canada Southern Petroleum Ltd.
(A Canadian corporation)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(Expressed in Canadian dollars)

	Year ended June 30,				
	1972	1973	1974	1975	1976
Disposition of working capital:					
Net loss	$ 649,971	$ 799,673	$ 765,266	$ 319,910	$ 574,824
(Charges) credits to revenues not involving outlay of working capital in current periods:					
Depreciation, depletion and amortization	(182,558)	(173,699)	(141,187)	(141,545)	(107,105)
Write-off of investments	—	—	(130,598)	(377)	(142,769)
Abandonments	(543,946)	(685,771)	(467,996)	(30,156)	(223,891)
Amortization of deferred income	21,825	13,500	—	—	—
Gains and losses on sales of equipment and properties	—	—	—	—	335,583
Working capital used in (provided by) operations	(54,708)	(46,297)	25,485	147,832	436,642
Additions to oil, gas and mineral properties	1,163,885	592,011	1,216,030	662,640	300,666
Investments in Foraco projects, net	—	20,441	89,921	5,579	10,204
Investments in and advances to Canada Southern Petroleum (N.Z.) Limited	17,504	22,247	5,211	—	—
Investments in and advances to PXP Steam Power Units Ltd.	31,052	19,289	3,390	—	—
Expenses of capital stock offerings	19,331	16,486	13,340	26,416	103,616
Decrease in 7% mortgage loan (non-current)	22,347	15,753	—	—	—
Net additions to building and equipment	1,397	6,538	—	65	12,491
Other	2,802	7,480	3,964	—	(4,400)
	1,203,610	653,948	1,357,341	842,532	859,219
Source of working capital:					
Exercise of stock purchase warrants	8,552	52,049	2,168	—	—
Exercise of stock options	14,450	567,616	—	—	—
Proceeds from sales of equipment or properties	—	—	—	10,000	588,765
	23,002	619,665	2,168	10,000	588,765
Decrease in working capital	$(1,180,608)	$ (34,283)	$(1,355,173)	$(832,532)	$(270,454)
Change in working capital consists of increase (decrease) in:					
Cash	$ 8,719	$ (7,184)	$ (643)	$ 12,607	$ (8,168)
Bank deposit receipts	(1,170,000)	(15,000)	(1,375,000)	(755,000)	(310,025)
Accounts receivable and accrued interest	(45,125)	(39,597)	43,879	(43,941)	10,959
Refundable deposits and prepaid expenses	(28,450)	(965)	(574)	187	(754)
Accounts payable and accrued liabilities	55,614	21,652	(30,276)	(46,385)	37,534
Current portion of mortgage loan	(1,366)	6,811	15,753	—	—
Current portion of notes payable	—	—	(8,312)	—	—
Decrease in working capital	$(1,180,608)	$ (34,283)	$(1,355,173)	$(832,532)	$(270,454)

See accompanying notes.

Canada Southern Petroleum Ltd.
(A Canadian corporation)
(Expressed in Canadian dollars)

CONSOLIDATED STATEMENT OF CAPITAL STOCK AND CAPITAL IN EXCESS OF PAR VALUE

Years ended June 30, 1975 and 1976

	Number of shares	Capital stock, $1 par value	Capital in excess of par value	Total
Balance at June 30, 1974	8,764,965	$8,764,965	$14,495,772	$23,260,737
Expenses of capital stock offering	—	—	(26,416)	(26,416)
Balance at June 30, 1975	8,764,965	8,764,965	14,469,356	23,234,321
Expenses of capital stock offering	—	—	(103,616)	(103,616)
Balance at June 30, 1976	8,764,965	$8,764,965	$14,365,740	$23,130,705

CONSOLIDATED STATEMENT OF ACCUMULATED DEFICIT

Years ended June 30, 1975 and 1976

	1975	1976
Balance at beginning of year	$(13,914,730)	$(14,234,640)
Net loss	(319,910)	(574,824)
Balance at end of year	$(14,234,640)	$(14,809,464)

See accompanying notes.

Canada Southern Petroleum Ltd.
(A Canadian corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 1976

1. Summary of significant accounting policies

The accompanying consolidated financial statements include the accounts of Canada Southern Petroleum Ltd. (Canada Southern) and its wholly-owned subsidiaries, Act Oils Limited (Act Oils), and Canpet, Inc. hereafter referred to collectively as the Company.

The Company follows the full cost method of accounting for oil and gas properties, whereby all costs associated with the exploration for and development of oil and gas reserves are capitalized. Depletion on costs accumulated in the Canada cost center is provided on the unit-of-production method based on estimated recoverable proven reserves. Expenditures incurred in the Arctic Islands and in foreign areas are being deferred pending the results of exploration in progress in those areas. These costs will be depleted by cost center on the basis of reserves discovered in each area or written off to income if exploration activities in that area prove unsuccessful.

Properties abandoned in prior years when the Company was in the development stage are not capitalized as the resulting total cost of the properties would exceed their current estimated value.

The Company accounts for the costs of its mineral properties in the following manner. Acquisition costs, exploration and development expenditures and related administrative overhead are capitalized until such time as it is determined whether commercially exploitable reserves exist. Costs associated with properties which are determined to be unsuccessful or abandoned are charged to income. Costs associated with commercially exploitable prospects will be amortized or depreciated on a unit of production basis.

Realization of the amounts represented by investments and advances and oil and gas and mineral properties, aggregating $8,131,764 and $8,501,476 at June 30, 1976 and 1975, respectively, is dependent upon future developments, since most of the properties represented by these assets are substantially unexplored or undeveloped. The portion of these amounts applicable to properties, by cost center, is as follows:

Oil and gas properties:	
Canada (excluding the Arctic Islands)	$4,557,306
Arctic Islands	2,718,953
Foreign areas	122,889
	7,399,148
Mineral properties	423,616
	$7,822,764

Depreciation has been provided for building and equipment by the straight-line method based on estimated useful lives. Depreciation of well equipment and amortization of intangible drilling costs pertaining to producing wells are computed by the unit-of-production method.

Transactions for settlement in U.S. dollars have been converted at average monthly rates. During the five years ended June 30, 1976, exchange gains and losses have not been significant.

For Canadian income tax purposes, the Company may claim exploration, development and lease acquisition costs in the year incurred, and capital cost allowances (depreciation) in amounts which may exceed those provided in the accounts. The Company had no Canadian income tax liability for the five years ended June 30, 1976, and at June 30, 1976 the following accumulated expenditures remained to be carried forward indefinitely to reduce future taxable income:

Drilling, exploration and lease acquisition costs	$13,770,000
Undepreciated capital costs	$ 380,000

2. Investments and advances

Borealis Exploration Limited (Borealis), in consideration of Canada Southern's agreeing to forego interest for the period ending March 31, 1973 on the 8% unsecured debentures of $225,000 and agreeing to assist in maintaining Borealis' books and records at Canada Southern's expense for the period ending March 31, 1972, issued to Canada Southern 90,000 fully-paid and nonassessable shares of its common stock. These shares, valued at $84,000 based on the above-mentioned considerations, represented 3.81% of the outstanding common shares of that company at June 30, 1976 and 1975. Interest due after March 31, 1973 ($58,500 at June 30, 1976 and $40,500 at June 30, 1975) on the 8% unsecured debentures will not be recorded by Canada Southern until its collection is certain.

Canada Southern's equity in net assets of Borealis was approximately $23,387 at June 30, 1976 and 1975. Borealis is engaged in mineral exploration in northern Canada, and its net assets consist primarily of deferred exploratory and administrative costs.

During the year ended June 30, 1974, the Company acquired a 12.75% interest in the United States and

Canadian patent rights and a 7.5% interest in the Australian patent rights to a drilling unit. The United States and Canadian rights are held by Foraco N.V., a Netherlands Antilles corporation, and the Australian rights are held by Foraco N.H., a New Hebrides corporation. In addition, a 25% interest in one of the drilling units was acquired during the year ended June 30, 1974. The Company was indebted to Forage Rationnel Construction, a French Company, for $24,937 and $33,249 at June 30, 1976 and June 30, 1975, respectively, in connection with the acquisition of this unit. In 1975, the Company's interest in the unit was exchanged for 25% of the shares of Foradrill Australia Pty., Ltd., a newly organized Australian company. On June 30, 1976, the Company wrote down its investment in these projects to nominal value, due to uncertainty as to ultimate realization.

3. Properties and related exploratory and other expenses

The Company's properties and property interests are located in British Columbia, the Yukon and Northwest Territories, the Arctic Islands and Alberta in Canada and in Australia.

At June 30, 1976, substantially all of the acreage located in British Columbia and the Yukon and Northwest Territories was covered by carried (net profits) interest agreements. These carried interest agreements provide that profits are not payable to the Company until expenditures by the operators have been recouped from production. Also, the Company may at any time elect to convert its position from a carried interest to a working interest by paying its share of the expenditures not recouped by profits from production. At June 30, 1976 and 1975, the accumulated expenditures by the operators attributable to all of the Company's carried interests exceeded the amounts recouped from production by $1,423,184 and $3,171,275, respectively. Two blocks, in which the Company's interest is 27.75%, have reached payout status. The Company's share of profits from these blocks was $357,303, $388,252, $386,473, $271,743 and $241,430 for the five years ended June 30, 1976, which amounts have been credited to income.

The Company's share of the cost of a standing well, completed as a discovery on a permit in the Yukon during the year ended June 30, 1965, amounted to $1,119,443 at June 30, 1976. The Company has a 45% interest in this well. It is anticipated that a significant amount of rework will be necessary to bring this well to production.

Most of the Company's interests in the Arctic Islands are subject to carried interest agreements with Panarctic Oils Ltd. The Company's carried interests range from 5% to 30%.

Lease rentals, work requirements and deposits in connection with the properties and property interests held by the Company at June 30, 1976 approximate $300,000 for the year ended June 30, 1977.

4. The Catawba Corporation

The amounts shown in the consolidated statement of loss for financial, technical and other services under contract represent all charges from The Catawba Corporation (Catawba) for services. Canada Southern's current (expiring July 1978) and prior contracts with Catawba have provided for payments based on services rendered and the granting of a 1/64 overriding royalty on all properties acquired by Canada Southern during the term of the contract. The contracts also have provided for special compensation for services rendered not contemplated under the contract. Catawba provides similar services to Borealis Exploration Limited. Certain of the stockholders, officers and employees of Catawba are directors, officers and/or shareholders of Canada Southern and of Borealis.

Charges by Catawba to other companies in which the Company had equity interests, expressed in U.S. dollars were as follows:

	Foraco N.V.
Year ended June 30, 1975	$13,113
Year ended June 30, 1976	836

5. Stock options and reservations

These options (see table, page 15) were granted under an incentive option plan on 300,000 shares of Canada Southern's capital stock adopted by the Board of Directors on September 21, 1973 and were exercisable on the date of grant. In addition, there were 180,000 shares reserved for future option grants on that date. There were no other changes in stock options during the two years ended June 30, 1976 except that in fiscal 1976, options on 5,000 shares granted to an officer were forfeited upon termination of employment and options on 3,000 shares granted to an officer expired without exercise.

Upon exercise of options, the excess of the proceeds over the par value of the shares issued is credited to capital in excess of par value. No charges are made against income in accounting for options.

The letters patent, as supplemented, of the Company provide that no person (as defined) shall vote more than 1,000 shares.

Stock options outstanding at June 30, 1976 are summarized as follows:

				Option price		Market price at date of grant	
Optionee	Date of grant	Expiration date	Number of shares	Per share	Aggregate	Per share	Aggregate
Catawba	Nov. 20, 1973	Nov. 20, 1978	150,000	$5.20	$780,000	$5.20	$780,000
Officers	Nov. 20, 1973	Nov. 20, 1978	15,000	5.20	78,000	5.20	78,000
Employees	Nov. 20, 1973	Nov. 20, 1978	37,000	5.20	192,400	5.20	192,400
			202,000				

6. Compensation

The Company has a contributory pension plan which is in effect for all employees and is administered by an insurance company. Benefits payable on retirement to employees are guaranteed by annuities purchased by the insurance company. Contributions by the Company to the pension plan on behalf of all employees were $13,015 and $11,759, for the years ended June 30, 1975 and 1976, respectively.

Compensation of directors, officers and senior employees allocated to or paid directly by Canada Southern, including contributions to a pension plan on their behalf, amounted to $94,310 and $147,372 for the years ended June 30, 1975 and 1976, respectively. Of these amounts, $37,587 and $37,565 were on behalf of directors and $56,723 and $109,807 were on behalf of officers. At June 30, 1976, there were five directors and five officers, of which one was also a director.

Auditors' Report

The Shareholders

CANADA SOUTHERN PETROLEUM LTD.

We have examined the consolidated balance sheet of Canada Southern Petroleum Ltd. at June 30, 1976 and 1975 and the related consolidated statements of loss and changes in financial position for the five years ended June 30, 1976 and of capital stock and capital in excess of par value and accumulated deficit for the two years ended June 30, 1976. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 1, the realization of investments and advances and oil and gas and mineral properties aggregating $8,131,764 and $8,501,476 at June 30, 1976 and 1975, respectively, is dependent on future developments, since the properties represented by these assets are substantially unexplored and undeveloped.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the statements mentioned above present fairly the consolidated financial position of Canada Southern Petroleum Ltd. at June 30, 1976 and 1975, the consolidated results of operations and the consolidated changes in financial position for the five years ended June 30, 1976 and the consolidated changes in capital stock and capital in excess of par value and accumulated deficit for the two years ended June 30, 1976 in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG, CLARKSON, GORDON & CO.

Hartford, Connecticut
September 9, 1976

SUPPLEMENTARY AND MARKET INFORMATION

Canada Southern Petroleum Ltd. was incorporated in 1954 under the Canada Corporations Act, and is engaged in the exploration and development of properties containing or believed to contain recoverable hydrocarbon reserves and mineral deposits. The Company's interests are in producing properties in Alberta and British Columbia, and in exploratory ventures on undeveloped properties located in Alberta, Yukon Territory, Northwest Territories and the Arctic Islands in Canada, and the Northern Territory of Australia.

Substantially all of Canada Southern's properties and property interests are covered by carried-interest agreements which provide that profits are not payable to the Company until expenditures by the operators have been recouped from production. The Company has never paid dividends on its capital stock and its present policy is to apply all revenue to the development of its properties and the acquisition of new properties.

The Company's shares of capital stock are listed and traded under the symbol "CSW" on the Toronto and Montreal stock exchanges in Canada and on the Pacific and Boston stock exchanges in the United States.

The total sales volume on the Pacific Stock Exchange for the years 1975 and 1976 amounted to 566,654 shares and 660,311 shares, respectively, and a quarterly price range for such shares follows (prices expressed in U.S. dollars):

1975	1st quarter	2nd quarter	3rd quarter	4th quarter
High	2⅜	2⅜	2¾	3½
Low	1⅝	1⅞	1¾	1⅞

1976	1st quarter	2nd quarter	3rd quarter	4th quarter
High	3¾	3⅝	3⅛	3 5/16
Low	2⅞	2⅝	2⅝	2⅛

The total sales volume on The Toronto Stock Exchange for the years 1975 and 1976 amounted to 4,580,900 shares and 4,801,884 shares, respectively, and a quarterly price range for such shares follows (prices expressed in Canadian dollars):

1975	1st quarter	2nd quarter	3rd quarter	4th quarter
High	2.49	2.45	2.90	3.20
Low	1.60	1.82	1.85	2.00

1976	1st quarter	2nd quarter	3rd quarter	4th quarter
High	4.05	3.50	3.15	3.55
Low	2.80	2.82	2.56	2.51

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company follows the full cost method of accounting for oil and gas properties, whereby all costs associated with the exploration for and development of oil and gas properties are capitalized. Properties abandoned in 1974 and prior years, when the Company was in the development stage, were expensed as the capitalization of such costs would have resulted in the total cost of the properties exceeding their market value. In 1975, only minor mineral projects were abandoned. In 1976, abandonments included certain foreign cost centers and mineral properties.

Expenditures relating to the properties and general and administrative expenses exceeded revenues each year in the past and this is expected to continue until additional carried-interest blocks pay out or other sources of revenue are found.

Proceeds from carried interests declined in fiscal 1975 and 1976 due to the effect of royalty increases by the government of the Province of British Columbia. Interest income has declined each year for the last five years as marketable securities were liquidated to provide working capital. The amount expended for financial, technical and other services in fiscal 1976 represented a 60 percent increase over fiscal 1975, due principally to services in connection with financing activities. The level of these expenditures in fiscal 1975 was 14 percent lower than in 1974 due to a lower level of utilization of these services by the Company. Salaries and employee benefits increased in fiscal 1976 because of a termination settlement. Stockholders' reports and capital stock expenses were 39 percent lower in fiscal 1975 than in fiscal 1974 due to lower transfer fees; in 1976, these expenses returned to more normal levels as share trading activities quickened. The cost of auditing services in fiscal 1976 was approximately double the fiscal 1975 cost due primarily to the change from development stage reporting mentioned above.

In December 1975, the Company sold an office building for $400,000, realizing a gain of $349,157. This resulted in reductions in rental income and in building maintenance and depreciation charges in 1976, as compared to 1975. Also during fiscal 1976 the Company sold its interests in Italy for $181,097, realizing a loss of $21,242. In the same period the Company wrote down to nominal value its interests in certain Foraco projects.

ACREAGE SUMMARY—DECEMBER 31, 1976

	Gross Acreage in Which Interest Is Held	Net Acreage Held Under Lease	Net Acreage Held Under Permit	Net Acreage Total
CANADA				
Petroleum				
British Columbia				
Pacific Agreement				
Working Interest	32,584	6,133		6,133
Carried Interest	61,971	13,170		13,170
Phillips Agreement—Carried Interest	190,289	20,493	4,235	24,728
Other				
Overriding Royalty Interest	8,570	598		598
Working Interest	32,464	1,913	5,427	7,340
Carried Interest	24,572	410		410
Total British Columbia	350,450	42,717	9,662	52,379
Alberta—Working Interest	67,680	90	13,328	13,418
Yukon & Northwest Territories				
Liard Basin				
Atkinson Agreement—Carried Interest	101,166	22,763		22,763
Dome-Pan Am Agreement—Carried Interest	134,238	60,409		60,409
Other—Working Interest	45,907	16,249		16,249
Total Liard Basin	281,311	99,421		99,421
Arctic Islands				
Panarctic Agreements—(see table, page 4)				
TriCeeTee	2,909,556		145,478	145,478
Other	4,032,154		1,146,092	1,146,092
Total Panarctic Agreements	6,941,710		1,291,570	1,291,570
Company—100%	26,967		388	388
B.P. Sub-Farmout	58,659		25,225	25,225
Total Arctic Islands	7,027,336		1,317,183	1,317,183
Total	7,726,777	142,228	1,340,173	1,482,401
Minerals				
Northwest Territories(*)	24,918		3,356	3,356
Total Canada (Petroleum and Minerals)	7,751,695	142,228	1,343,529	1,485,757
AUSTRALIA (Petroleum)	76,800		3,840	3,840
UNITED STATES (Nevada and Colorado) (Minerals)	14,650	4,788		4,788
GRAND TOTAL	7,843,145	147,016	1,347,369	1,494,385

(*) Includes interests held through the Company's 3.81% stock interest in Borealis Exploration Limited and the Company's 15.5% direct interest in the Melville Peninsula iron ore prospect.

Canada Southern Petroleum Ltd.

Executive Officers and Directors

John W. Buckley, *Chairman of the Board, President and Director*
President and a Director of United Canso Oil & Gas Ltd. and Pantepec International, Inc.; and a Director of Coastal Caribbean Oils & Minerals, Ltd., Magellan Petroleum Australia Limited and Pancoastal, Inc. He is also Chairman of the Board, Chief Executive Officer and a Director of The Catawba Corporation.

Charles J. Horne, *Vice President*
Associated with Canada Southern Petroleum Ltd. since 1950, was elected Vice President in July 1976.

Arthur B. O'Donnell, *Vice President*
Vice President of Coastal Caribbean Oils & Minerals, Ltd., Magellan Petroleum Corporation, Pantepec International, Inc., Pancoastal, Inc., United Canso Oil & Gas Ltd. and The Catawba Corporation.

K. E. Noble, *Treasurer and Secretary*
Associated with Canada Southern Petroleum Ltd. since 1955, was elected Treasurer in September 1975 and Secretary in October 1976.

K. Ross Jordan, *Assistant Secretary and Assistant Treasurer*
Secretary and Assistant Treasurer of Magellan Petroleum Corporation, Secretary of Pancoastal, Inc. and Pantepec International, Inc., Secretary and a Director of The Catawba Corporation.

Thomas W. Donlon, *Director*
Director of Pantepec International, Inc. and Pancoastal, Inc. and until his retirement in 1967 was Vice President in charge of foreign production for American Overseas Petroleum, Ltd.

Benjamin W. Heath, *Director*
President and a Director of Coastal Caribbean Oils & Minerals, Ltd. and Magellan Petroleum Corporation; Chairman and a Director of Magellan Petroleum Australia Limited, a Director of United Canso Oil & Gas Ltd. and a Director and President of The Catawba Corporation

M. A. Reasoner, *Director*
Vice President and General Manager of Canada Southern Petroleum Ltd. from its formation through 1971, is presently Technical Advisor to the Chairman of the Board.

Transfer Agents

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Montreal Trust Company
15 King Street West
Toronto, Ontario, Canada M5H 1B4

United California Bank
Box 3667 Terminal Annex
Los Angeles, Calif. 90051, U.S.A.

Auditors

Arthur Young, Clarkson, Gordon & Co.

Canada Southern capital stock is listed for trading on the Montreal, Toronto, Boston and Pacific stock exchanges. Symbol: CSW. The Company's shares also are traded in the NASDAQ over-the-counter market. Symbol: CSPEF.

Inquiries or requests for additional information concerning Canada Southern Petroleum Ltd. should be addressed to the Company in care of
The First Jersey National Bank, P.O. Box 960, Jersey City, N.J. 07303, U.S.A.,
or to 505 Eighth Avenue South West, Calgary, Alberta, Canada T2P 1G2.

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